BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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BIOENERGY ASSOCIATION OF CALIFORNIA'S COMMENTS ON THE JULY 29 ADMINISTRATIVE LAW JUDGE RULING SETTING SCHEDULE FOR COMMENTS ON STAFF REPORTS AND SCHEDULING PREHEARING CONFERENCE

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The Bioenergy Association of California (BAC) submits these Comments on the July 29 Administrative Law Judge Ruling Setting Schedule for Comments on Staff Reports and Scheduling Prehearing Conference. BAC strongly supports the Staff Proposal for Cost Certainty for the Interconnection Process[1] with the recommendations and qualifications below. In particular, BAC:

- Thanks the staff for its careful review of current interconnection challenges and proposals to provide greater certainty and efficiency;
- Agrees that greater cost certainty will increase the efficiency of the whole interconnection process; and

[1] Attachment A of the Administrative Law Judge Ruling dated July 29, 2014

- Agree that adopting the Staff Proposal will reduce the cost and other barriers to interconnection, helping California to meet its renewable energy and distributed generation goals.

The Bioenergy Association of California (BAC) is an association of more than 50 public agencies, local governments and private companies working to promote sustainable bioenergy development in California. BAC focuses on community-scale generation of electricity and fuels from organic waste, including organic waste diverted from landfills and landfill gas, waste and biogas from wastewater treatment facilities, dairy and other agricultural waste, yard and green waste, forest and wood waste.

According to the California Energy Commission, California can generate as much as 6,800 megawatts[2] of renewable, baseload electricity from organic waste (biomass and biogas). That energy can be baseload or, if generated from biogas, can provide the same flexibility, load-following and ramping functions as natural gas.

I. GENERAL COMMENTS

A. Support for Principle of Cost Certainty

BAC supports the underlying principle that simpler projects with little or no impacts should be afforded a streamlined application and review, while more complex projects require a somewhat more complex approach; however, applying cost-certainty to the studies, cost estimates and construction process should be done in a reasonable manner without undue cost shifting.[3] BAC supports the Staff Proposal for Cost Certainty for the Interconnection Process with the recommendations and qualifications below. BAC supports the need for utilities to provide cost certainty within their estimates as the utilities have sole access to the information

[2] "*An Assessment of Biomass Resources in California, 2007, 2010 and 2020,"* prepared for the California Energy Commission by the University of California Davis, December 2008. CEC-500-2013-052.

[3] Cost Certainty for Interconnection Process Staff Proposal at page 12

required to determine interconnection costs and to reduce cost exposure to developers that have paid for interconnection studies.

BAC supports the utilization of a Cost Envelope (Massachusetts Model) over IREC's Fixed Cost Proposal and Clean Coalition's Cost Decoupling Proposal to allow for greater accuracy and fair cost allocation as individual project evaluations determine the cost of interconnection. BAC also supports Sustainable Conservation's proposal[4] to allow public access to interconnection cost data (while appropriately guarding confidential information) to allow project developers to make informed decisions about potential interconnection costs before engaging with utility evaluations.

B. Concerns about the Staff Proposal

BAC has several concerns about the staff proposed cost certainty model:

- Cost Inflation: IOUs will be incentivized to inflate costs to mitigate the risk of exceeding estimates and without a competitive process (as in the construction industry), there is no market-based check for cost inflation;
- Scheduling Certainty: BAC members have experienced significant interconnection delays resulting in financial hardship (e.g., lost revenue) and believes that cost-certainty and schedule-certainty should be addressed together.

II. SPECIFIC RECOMMENDATIONS

A. Proposal Part A: Fast Track Projects

BAC supports the recommendations of the Staff Proposal, specifically the goal to provide harmonizing modifications to ensure standardization across utilities. In addition, BAC recommends:

[4] Cost Certainty for Interconnection Process Staff Proposal at page 9

- The IOUs adopt FERC's new Small Generator Interconnection Procedures (SGIP)[5] ruling as it applies to Fast Track.
- In addition to the example presented in the Staff Proposal, BAC specifically requests that the IOUs harmonize definitions, terms, and conditions for generator protection to be considered for Fast Track with a focus on equipment performance, not equipment make and model.
- IOUs should maintain a list of projects that have applied to Fast Track and the results of the Fast Track process, including the reason for failure, keeping sensitive information confidential. This information will be critical for evaluating the effectiveness of the Fast Track program.

B. Proposal Part B: Non-Fast Track Projects

BAC supports the Staff Report's recommendation to include the Massachusetts Standards for Interconnecting Distributed Generation within the Rule 21 framework, specifically section 7: [6]

> "The Company [Utility] will, in writing, advise the Interconnecting Customer in advance of any cost increase for work to be performed up to a total amount of increase of 10% only. All costs that exceed the 10% increase cap will be borne solely by the Company. Any such changes to the Company's costs for the work shall be subject to the Interconnecting Customer's consent. The Interconnecting Customer shall, within thirty (30) days of the Company's notice of increase, authorize such increase and make payment in the amount up to the 10% increase cap, or the Company will suspend the work and the corresponding agreement will terminate.
>
> Final Accounting. Upon request by the Interconnecting Customer, the Company within ninety (90) business days after completion of the construction and installation of the

[5] FERC Order No. 792 RM13-2-000
[6] Massachusetts Standards for Interconnecting Distributed Generation, D.P.U. 09-03-A, Exhibit E, Detailed Study Agreement at Section 7

System Modifications described in an attached exhibit to the Interconnection Service Agreement, shall provide Interconnecting Customer with a final accounting report of any difference between (a) Interconnecting Customer's cost responsibility under the Interconnection Service Agreement for the actual cost of such System Modifications, and (b) Interconnecting Customer's previous aggregate payments to the Company for such System Modifications. To the extent that Interconnecting Customer's cost responsibility in the Interconnection Service Agreement exceeds Interconnecting Customer's previous aggregate payments, the Company shall invoice Interconnecting Customer and Interconnecting Customer shall make payment to the Company within forty-five (45) days. To the extent that Interconnecting Customer's previous aggregate payments exceed Interconnecting Customer's cost responsibility under this agreement, the Company shall refund to Interconnecting Customer an amount equal to the difference within forty-five (45) days of the provision of such final accounting report."

The inclusion of this proposed language will allow developers to evaluate their true cost exposure[7] and thereby promote the development of renewable energy by providing important capital cost information needed for project financing.

BAC suggests that the level of cost certainty vary throughout the Detailed Study Process to reflect the increased level of study detail. BAC recommends 25 percent cost certainty after the System Impact Study and 15 percent cost certainty after a Facilities Study. BAC understands these values to be consistent with current cost estimate practices with the existing Detailed Study Process framework.

1. Allowing the utilities an ability to request a waiver of the non-Fast Track Project cost limitation in cases where both it and the applicant can agree on a revised cost estimate for necessary upgrades for novel projects or technologies that exceed the 10 percent buffer, after the initial estimate has been incorporated into the agreement. This request, in writing to the Director of Energy Division must be received within 20 calendar days of discovering this cost issue. The waiver request should detail and describe the challenges and

[7] Comments of the Interstate Renewable Energy Council, Inc. on Amended Scoping Memo and Ruling Requesting Comments, October 25, 2012, p.8

proposed solutions associated with interconnecting the new technology. Utilities should only be allowed to petition for the removal of the limitation due to a new technology up to three times.

BAC understands this proposed modification as an effort to allow utilities and developers flexibility when working with new technologies. BAC would like to distinguish between a new project and a new prime mover (e.g., synchronous generator) as bioenergy projects may have novel means of generating fuel, the electrical generating device are not new (e.g., engine, turbine).

While BAC supports the general recommendation to allow an exception to the 10 percent limitation when both the utility and the developer agree to it, BAC would not limit the application of this exception to only those situations that involve a "new technology" or "novel project" as staff proposes. Instead, BAC recommends that a cost waiver be available when new information about a project is identified that alters the project cost in a manner that exceeds the 10 percent buffer. The waiver request, in writing to the Director of Energy Division, must be received within 20 calendar days of discovering this cost issue and should detail and describe the challenges, proposed solution, and identify why the new information was not made available for consideration during the study process. BAC believes this type of waiver provides greater flexibility for the utilities and avoids the challenge of defining "novel projects or technologies".

2. Utilities face monetary penalties for failure to proactively resolve interconnection issues proactively and in a timely manner.

BAC supports the use of monetary penalties for failure to proactively resolve interconnection issues proactively and in a timely manner. BAC proposes monetary penalties for interconnection issues be consistent with Guaranteed Energy Production Damages in the ReMAT power purchase agreement resulting in damages equal to 75 percent of the contract price (in $/MWh) for time lost due to IOU incurred interconnection delays.[8]

[8] Renewable Market Adjusting Tariff Power Purchase Agreement, Appendix G – Guaranteed Energy Production Damages.

BAC recognizes that eligibility for ReMAT or SB 1122 ReMAT both require some utility interconnection study.[9] Therefore, without a PPA at this stage in project development, a different monetary penalty structure to account for delays in the study process which may adversely affect a project developer waiting for the completion of the study process to enter into the ReMAT queue. A fixed fee structure may be more appropriate at this stage.

3. Establish an Advanced Interconnection Consultation process for all non-Fast Track projects which, will allow for a consultation with utility specialists who can work with applicants to derive solutions for novel interconnection problems. The fundamental principle should be that the utilities and applicants work together to develop a plan to ensure grid interconnection in a timely fashion, and that lessons learned from each new interaction be applied to subsequent applications.

BAC understands this proposal modification is intended to provide developers with additional resources to determine interconnection cost solutions. BAC has found this type of advisor to be very helpful and efficient in the RAM process and supports this type of process for all non-Fast Track projects.

4. Require tracking and reporting on all Interconnection Costs.

BAC supports this proposed modification. As the Staff Report notes, transparency and predictability will help to reduce costs and make the whole interconnection process more efficient.

5. All interconnection related documentation and forms should be received via an internet-based submission channel. All application materials should be received digitally to ensure the integrity of data and maximum interconnection process efficiency. All interconnection status information should be able to be checked by applicants electronically. The Interconnection Application and a corresponding process diagram should be posted prominently on the interconnection websites of the three utilities. The internet portal should be easily accessible and intuitive.

BAC supports this proposed modification.

[9] System Impact Study or Fast Track

6. Make distribution grid data transparent and accessible so that third parties can assist in the distribution grid study and optimization process.

BAC supports this proposed modification and particularly supports the implementation of this modification to help avoid the concern of cost inflation.

C. Past Project Experience

BAC members represent a diverse array of bioenergy technologies and solutions, several of which have experienced delays and highly variable cost estimates throughout the interconnection process. While each application is unique, one example from the Sanitation Districts of Los Angeles County (Districts) illustrates the variability and uncertainty of the interconnection process:

> For an 8 MW landfill gas project the Districts wanted to change from a Rule 21 behind-the-meter agreement to a WDAT to allow for up to 2 MW of export. Following an original estimated facilities cost for a 12 kV interconnection in 2006 of $300,000, Southern California Edison (SCE) later increased their estimate to $4,000,000. The cost of the interconnection was eventually reduced to $1,374,000 in 2008. The overall process including construction of interconnection facilities and upgrades took 6 years.

III. CONCLUSION

BAC urges the Commission to adopt the Staff Proposal on "Cost Certainty for the Interconnection Process" with the recommendations and modifications described above. The steps outlined by staff will greatly improve the interconnection process, reducing costs and increasing efficiency, which support the state's clean energy and distributed generation goals.

DATED: September 12, 2014

Respectfully submitted,

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VERIFICATION

I am a representative of the non-profit organization herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and, as to those matters, I believe them to be true.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed this 12th day of September, 2014, at Kensington, California.

/s/ Julia A. Levin

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